Globalization and Inclusive Human Development in Africa

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Abstract

This study extents the literature on responses to a recent World Bank report on the African poverty tragedy by assessing the effect of globalisation on inclusive human development in 51 African countries for the period 1996-2011. Political, economic, social and general globalisation variables are used. The empirical evidence is based on Generalised Method of Moments (GMM) and Instrumental Quantile Regressions (IQR). While estimated coefficients are not significant in GMM results, for IQR, globalisation positively affects inclusive human development and the beneficial effect is higher in countries with high initial levels of inclusive development. The main economic implication is that in the post-2015 development agenda, countries would benefit more from globalisation by increasing their levels of inclusive development.

JEL Classification: E60; F40; F59; D60; O55
Keywords: Globalisation; inequality; inclusive development; Africa

1. Introduction

Three main factors motivate the positioning of this inquiry, namely: (i) recent trends on inclusive human development; (ii) the debate on the effect of globalisation on inclusive human development and (iii) the imperative to give globalisation a human face in the post-2015 sustainable development agenda.

First, an April 15th World Bank report on the achievement of the Millennium Development Goals (MDGs) extreme poverty target has revealed that poverty has been

decreasing in all regions of the World with the exception of Africa where 45% of countries in sub-Saharan Africa have been considerably off-track from achieving the MDGs extreme poverty target (World Bank, 2015). This is despite the sub-continent enjoying more than two decades of resurgence in growth (see for example Fosu, 2015a; Leautier, 2012; Pinkivskiy & Sala-i-Martin, 2014). A recently celebrated African literature has attributed this startling contrast to the globalisation and policies that are more concerned with boosting the importance of neoliberal ideology and capital accumulation at the expense of more fundamental ethical concerns like inequality and environmental degradation (Obeng-Odoom, 2015)[1].

Second, the debate about the benefits of globalisation is still on going. While some potential advantages in terms of international risk sharing and allocation efficiency have been extensively documented (Henry, 2007; Kose et al., 2006, 2011; Price & Elu, 2014), the growing economic and financial instability have been significantly attributed to increasing globalisation (Bhagwati, 1998; Fischer, 1998; Rodrik, 1998; Stiglitz, 2000; Summers, 2000; Asongu, 2014a). Two main dynamics were identified as key drivers of contemporary economic development trends over the past 30 years. They are: the growing globalisation and increasing inequality (see Azzimonti et al., 2014). The policy syndrome of growing inequality has been a concern in developed countries (Atkinson *et al*., 2011; Piketty, 2014), a broad sample of developing (Fosu, 2010a; Mthuli *et al*., 2014; Mlachila *et al*., 2014) and African (Fosu, 2010b, 2010c, 2009, 2008) nations.

Third, in the post-2015 development agenda, there are growing policy requests to give globalisation a human face (UN, 2013, pp. 7-13). In principle, the phenomenon of globalisation upholds economic development in its ineluctable, lusty and historical process. It is a process that can only be stopped by endangering the prosperity of nations and peoples. Unfortunately, it has also been argued that globalisation threatens to be detrimental to human development in the manner it is evolving. On the one hand, globalisation fundamentally advocates for self-interest over altruism while seeking the victory of markets over governments on the other. Hence, it is not very surprising that public support for globalisation has substantially reduced in both developed and developing nations, with a frantic exploration of avenues for alternative ways out of morally enervating aspects of globalisation-driven capitalism. To be sure, there have been a growing universal movement to recapture some of

[1] Obeng-Odoom (2015) has won the Association for Social Economics' Patrick J. Welch Award for his paper 'Africa: On the Rise, But to Where?'. The Patrick J. Welch Award is given annually for the best paper published in the Forum for Social Economics journal.

the lofty ambitions and attractive glow of capitalism. A common denominator among policy makers and researchers is that globalisation should be given a human face (Stiglitz, 2007; Kenneth & Himes, 2008; Asongu, 2013).

The present inquiry extents the literature on responses to the World Bank report on the African poverty tragedy by assessing the effect of globalisation on inclusive human development. Three main streams of the literature have been devoted to responding to the World Bank's statistics on African poverty, notably: (i) new development paradigms and understanding of Africa's recent growth resurgence; (ii) reinventing foreign aid for inclusive development and (iii) the influence of globalisation on inclusive development. *First*, Fosu (2015bc) has articulated whether Africa's recent growth resurgence is a reality or a myth. Then too, Kuada (2015) has edited a book that proposes a shift in paradigm from 'strong economics' to 'soft economics' (human capability development) as means to understanding recent poverty trends on the continent (Kuada, 2015). *Second*, the narrative of Kuada (2015) also aligns with a strand of the literature that has suggested channels through which development assistance can be reinvented to ensure less poverty, more employment and greater sustainable development (Fields, 2015; Asongu, 2016; Simpasa et al., 2015; Jones & Tarp, 2015; Page & Shimeles, 2015; Asongu & Nwachukwu, 2017a; Page & Söderbom, 2015; Jones et al., 2015). *Third*, another stream of literature has focused on the influence of globalisation on inclusive development, notably with Azzimonti et al. (2014) theorizing that globalisation-fuelled debts are fundamental causes of inequality in developed countries. The hypothesis has been partially confirmed in African countries by Asongu et al. (2015).

On the theoretical underpinnings, there are two main concepts in the debate over how globalisation influences human well-being; (i) the hegemony and neoliberal schools (Tsai, 2006). According to the first school, globalisation is a hegemonic project. Petras and Veltmeyer (2001) maintain that globalisation is the hidden creation of a 'new world order architecture' by global powers such as international financial institutions and industrial countries, with the principal mission of easing capital accumulation in environments where market transactions are constrained. The authors predict '*a world-wide crisis of living standards for labor*', given that a substantial part of the process of capital liberalisation has been borne by the working class. This is because '*technological change and economic reconversion endemic to capitalist development has generated an enormous growing pool of surplus labor, an industrial reserve army with incomes at or below the level of subsistence*' (Petras & Veltmeyer, 2001, p. 24). Another version of this hegemonic school maintains that

contemporary global systems have on their path of neoliberalism, imposed a dynamic mode of production that undervalues redistribution channels that were formulated via Keynesian Social democracy. As maintained by Smart (2003), globalisation offers opportunities for the pursuit of private interest with disregard for common values of inclusive development (see Tsai, 2006). As Scholte (2000) has noted, the allocation of benefits from globalisation is not balanced because it is skewed towards the wealthy that are already in socio-economically advantaged positions. Sirgy et al. (2004) have confirmed the plethora of negative impacts of globalisation, for the most part.

The second or neoliberal school argues that globalisation is a force of 'creative destruction' in the sense that, cross-border investment, technological innovation and global trade enhance efficiency in production and engenders substantial progress (Asongu, 2014b). This is in spite of falling wages for workers that are unskilled and substitution of old jobs. Globalisation manages the downsides by signalling to the unskilled workers that openness would benefit them if they acquire new skills. According to Grennes (2003), the benefits can be extended to the masses if demand and supply are influenced by the labor market.

The rest of the study is structured as follows. Section 2 discusses the data and methodology. The empirical analysis and discussion of results are covered in Section 3 while Section 4 concludes with future research directions.

2. Data and Methodology

2.1 Data

This study examines a panel of 51 African countries for the period 1996-2011 with data from the United Nations Development Program (UNDP), African Development Indicators of the World Bank and Dreher et al. (2010). The periodicity and sampled countries are due to constraints in data availability. The dependent variable which is the inequality adjusted human development index (IHDI) is consistent with recent African inclusive human development literature (Asongu & Nwachukwu, 2016a). The IHDI from the UNDP is the national average of achievements in three main areas, namely: (i) knowledge; (ii) health and long life and (iii) decent income with associated standards of living. In addition to accounting for average rewards in terms of, education, health and income, the IHDI also accounts for the distribution of underlying achievements among the population by controlling for mean values of each dimension with regards to inequality.

The independent variables of interest are globalisation variables from Greher et al. (2008). These consist of political globalisation, economic globalisation, social globalisation and general globalisation. The control variables from African Development Indicators of the World Bank are in accordance with recent inclusive development literature (Mishra et al., 2011; Anand et al., 2012; Seneviratne & Sun, 2013; Mlachila et al., 2014; Asongu & Nwachukwu, 2017b). The control variables are GDP growth, foreign aid, public investment, inflation and the lag of the dependent variable. We observe from a preliminary assessment that controlling for more than 4 variables leads to instrument proliferation that biases the estimated models. In Quantile Regressions (QR), we further control for the unobserved heterogeneity with fixed effects of income levels and legal origins. Economic growth has positive effects on inclusive development (see Mlachila et al., 2014). The effect of foreign aid is generally negative but when foreign aid is decomposed into types of aid, the impact could be both positive and negative (see Asongu & Nwachukwu, 2017a). The impact of public investment may either be positive or negative depending on whether corrupt mechanisms and funds mismanagement are connected to the disbursements of funds for inclusive development purposes. Very high inflation decreasing inclusive human development because it more than proportionately reduces the purchasing power of the poor compared to the rich.

Classification of countries in terms of legal traditions is from La Porta et al. (2008, p 289). The categorisation of nations by income levels is consistent with Asongu (2014b, p. 364)[2] on the World Bank classification. Compared to Low income countries, Middle income countries are more likely to be linked with better institutions that enable equitable distribution of wealth from economic prosperity. Two main reasons motivate this positive association. On the one hand, higher income offers more opportunities for employment and social mobility. On the other hand, institutions have recently been documented to positively affect quality of growth in Africa (Fosu, 2015bc).

Legal origins are fundamental in contemporary comparative economic development (La Porta et al., 1998, 1999). This assertion has been recently confirmed in African countries (see Agbor, 2015). The literature broadly supports the perspective that because of better political and adaptable channels (see Beck et al., 2003), English Common law countries compared with French Civil law traditions provide better conditions for the enhancement of social mobility and reduction of economic vulnerability. In essence, French Civil law places

[2] There are four main World Bank income groups: (i) high income, $12,276 or more; (ii) upper middle income, $3,976-$12,275; (iii) lower middle income, $1,006-$3,975 and (iv) low income, $1,005 or less.

more emphasis on the power of the State while English Common law is more focused on the consolidation of private property rights. Therefore, the institutional web of informal rules, formal norms and enforcement features intuitively influence social mobility and economic vulnerability within a country.

The full definitions of variables are provided in Appendix 1, the summary statistics in Appendix 2 and the correlation matrix in Appendix 3.

2.2 Methodology

2.2.1 Generalised Method of Moments (GMM)

As documented in Asongu and Nwachukwu (2016a), there are six fundamental justifications for the adoption of this empirical strategy. The first-two entail requirements for adopting the approach whereas the last-four are advantages linked to the strategy. *First,* the estimation procedure is a good fit because inclusive human development is persistent. Accordingly, the correlation between inclusive human development and its corresponding lagged value is 0.999 which is higher than the rule of thumb threshold (0.800) for persistence in a dependent variable. *Second,* the number of years per country (T) is lower than the number of countries (N). Therefore, the T(16)<N(51) condition for GMM application is also satisfied. *Third,* the estimation technique controls for potential endogeneity in all regressors. *Fourth,* cross-country variations are not eliminated with the approach. *Fifth,* it controls for small sample biases in the *difference* estimator. *Sixth,* it is on the basis of the fifth advantage that Bond et al. (2001, pp. 3-4) have recommended that the *system* GMM estimator (Arellano & Bover, 1995; Blundell & Bond, 1998) is a better fit compared to the *difference* estimator from Arellano and Bond (1991).

This inquiry adopts the Roodman (2009ab) extension of Arellano and Bover (1995) that uses forward orthogonal deviations instead of first differences. The estimation technique has been documented to: (i) control for cross-country dependence and (ii) limit the proliferation of instruments or restrict over-identification (see Love & Zicchino, 2006; Baltagi, 2008). A *two-step* approach is adopted in the specification because it controls for heteroscedasticity. In essence, the *one-step* approach is consistent with homoscedasticity.

The following equations in levels (1) and first difference (2) summarize the standard system GMM estimation procedure.

$$HD_{i,t} = \sigma_0 + \sigma_1 HD_{i,t-\tau} + \sigma_2 G_{i,t} + \sum_{h=1}^{4} \delta_h W_{h,i,t-\tau} + \eta_i + \xi_t + \varepsilon_{i,t} \qquad (1)$$

$$HD_{i,t} - HD_{i,t-\tau} = \sigma_0 + \sigma_1(HD_{i,t-\tau} - HD_{i,t-2\tau}) + \sigma_2(G_{i,t} - G_{i,t-\tau}) + \sum_{h=1}^{4} \delta_h(W_{h,i,t-\tau} - W_{h,i,t-2\tau}) + (\xi_t - \xi_{t-\tau}) + \varepsilon_{i,t-\tau} \quad (2)$$

Where: $HD_{i,t}$ is the inclusive human development index of country i at period t; σ_0 is a constant; τ represents tau; G, denotes globalisation which may be economic, political, social or general; W is the vector of control variables (*GDP growth, foreign aid, public investment* and *inflation*), η_i is the country-specific effect, ξ_t is the time-specific constant and $\varepsilon_{i,t}$ the error term.

The GMM is based on the conditional mean of the dependent variable. We also relax the assumption of the mean distribution and assess the effects throughout the conditional distribution of inclusive human development. The policy relevance of assessing throughout the distribution of inclusive development is based on the fact that blanket policies based on mean effects may be ineffective unless they are contingent on initial levels of inclusive human development and tailored differently across countries with low, intermediate and high levels of inclusive development.

2.2.1 Instrumental Quantile Regressions

In order to examine whether existing levels of inclusive human development are significantly linked to the association between globalisation and inclusive development, the study employs a quantile regressions (QR) approach. This strategy is consistent with the literature on conditional distributions, notably: Koenker and Bassett, (1978); Keonker and Hallock (2001); Billger and Goel (2009) and Okada and Samreth (2012). Theoretically, the QR method consists of examining the effects of globalisation throughout the conditional distributions of inclusive development.

Moreover, the technique which emphasises mean effects like Ordinary Least Squares (OLS) is based on the assumption that the error terms are normally distributed, such an assumption does not hold for the QR technique because the approach is not based on the proposition of normally distributed residual terms. Hence, the technique enables this study to examine determinants of inclusive development with specific emphasis on countries with low, intermediate and high levels of inclusive development. This technique which is robust in the presence of outliers, enables the assessment of parameter estimates at multiple points of the conditional distribution of inclusive development (Koenker & Bassett, 1978).

The concern of simultaneity and/or reverse causality is addressed by instrumenting the globalisation variables of interest with their first lags. The instrumentation process is summarised in Eq. (3) below.

$$G_{i,t} = \alpha + \delta_j\left(G_{i,t-1}\right) + \varepsilon_{i,t} \qquad (3)$$

Where: $G_{i,t}$, is a globalisation indicator of country i at period t, $G_{i,t-1}$, represents globalisation in country i at period $t-1$ term, α is a constant, $\varepsilon_{i,t}$ the error term. The instrumentation procedure consists of regressing the independent variables of interest on their first lags and then saving the fitted values that are subsequently used as the main independent variables in Eq. (4). The specifications are Heteroscedasticity and Autocorrelation Consistent (HAC) consistent in standard errors.

The θ^{th} quintile estimator of inclusive development is obtained by solving for the following optimization problem, which is presented without subscripts for simplicity in Eq. (4)

$$\min_{\beta \in R^k}\left[\sum_{i \in \{i: y_i \geq x_{i'}\beta\}} \theta\left|y_i - x_{i'}\beta\right| + \sum_{i \in \{i: y_i \geq x_{i'}\beta\}} (1-\theta)\left|y_i - x_{i'}\beta\right|\right] \qquad (4)$$

Where $\theta \in (0,1)$. As opposed to OLS which is fundamentally based on minimizing the sum of squared residuals, with QR, the weighted sum of absolute deviations are minimised. For example, the 25$^{\text{th}}$ or 75$^{\text{th}}$ quintiles (with θ=0.25 or 0.75 respectively) are assessed by approximately weighing the residuals. The conditional quintile of inclusive development or y_i given x_i is:

$$Q_y(\theta / x_i) = x_{i'}\beta_o \qquad (5)$$

where unique slope parameters are modelled for each θ^{th} specific quintile. This formulation is analogous to $E(y/x) = x_{i'}\beta$ in the OLS slope where parameters are investigated only at the mean of the conditional distribution of inclusive human development. For the model in Eq. (5), the dependent variable y_i is an inclusive development indicator while x_i contains a constant term, *GDP growth, foreign aid, public investment, inflation, middle income and English common law*.

3. Empirical results and discussion of results

3.1 Presentation of results

Consistent with recent literature on the employment of the GMM approach with forward orthogonal deviations, four main criteria are used to assess the validity of estimated coefficients[3]. The following findings can be established from Table 1. *First,* none of the globalisation variables significantly affects inclusive development. *Second,* the significant control variable has the expected sign.

Table 1: Generalised Method of Moments

	Dependent variable: Inequality Adjusted Human Development Index (IHDI)							
	Political Governance		**Economic Governance**		**Social Governance**		**Governance**	
Constant	-0.003	-0.007	-0.014	-0.034	-0.008	-0.094	0.021	-0.009
	(0.936)	(0.883)	(0.688)	(0.819)	(0.865)	(0.165)	(0.768)	(0.930)
IHDI(-1)	**1.009*** **	**1.015*** **	**1.054*** **	**1.041*** **	**1.042*** **	**1.039*** **	**1.019*** **	**1.027*** **
	(0.000)	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**
Political Glob.	0.00004	-0.00004	---	---	---	---	---	---
	(0.955)	(0.943)						
Economic Glob.	---	---	-0.001	0.003	---	---	---	---
			(0.316)	(0.919)				
Social Glob.	---	---	---	---	-0.0004	0.002	---	---
					(0.836)	(0.238)		
Globalisation(Glob)	---	---	---	---	---	---	-0.0007	-0.0001
							(0.644)	(0.960)
GDP growth	**0.001*** **	**0.0009** **	**0.001***	0.001	**0.001*** **	0.0009	**0.001** **	0.0009
	(0.005)	**(0.043)**	**(0.067)**	(0.120)	**(0.000)**	(0.112)	**(0.018)**	(0.107)
Foreign aid	---	-0.0001	---	0.00007	---	0.0002	---	0.00001
		(0.770)		(0.830)		(0.312)		(0.963)
Public Invt.	---	0.002	---	0.00008	---	0.001	---	0.0003
		(0.272)		(0.985)		(0.434)		(0.923)
Inflation	---	0.000	---	0.000	---	0.000	---	0.000
		(0.581)		(0.700)		(0.829)		(0.861)
AR(1)	**(0.318)**	**(0.318)**	**(0.317)**	**(0.322)**	**(0.317)**	**(0.318)**	**(0.317)**	**(0.318)**
AR(2)	**(0.315)**	**(0.318)**	**(0.317)**	**(0.277)**	**(0.317)**	**(0.317)**	**(0.317)**	**(0.318)**
Sargan OIR	(0.000)	(0.006)	(0.003)	**(0.124)**	(0.000)	(0.045)	(0.000)	(0.026)
Hansen OIR	**(0.937)**	**(1.000)**	**(0.974)**	**(1.000)**	**(0.957)**	**(1.000)**	**(0.977)**	**(1.000)**
DHT for instruments								
(a)Instruments in levels								
H excluding group	**(0.484)**	**(0.940)**	**(0.481)**	**(0.898)**	**(0.409)**	**(0.899)**	**(0.559)**	**(0.932)**
Dif(null, H=exogenous)	**(0.970)**	**(0.998)**	**(0.998)**	**(1.000)**	**(0.998)**	**(1.000)**	**(0.993)**	**(1.000)**
(b) IV (years, eq(diff))								
H excluding group	na	**(0.616)**	na	**(0.761)**	na	**(0.767)**	na	**(0.734)**
Dif(null, H=exogenous)	na	**(1.000)**	na	**(1.000)**	na	**(1.000)**	na	**(1.000)**
Fisher	**1.10e+06*** **	**3.40e+06*** **	**1.17e+06*** **	**246453*** **	**347091*** **	**2.13e+07*** **	**1.32e+06*** **	**79779.77*** **
Instruments	24	36	24	36	24	36	24	36
Countries	37	35	34	33	37	35	37	35
Observations	511	453	474	442	511	453	511	453

[3] *"First, the null hypothesis of the second-order Arellano and Bond autocorrelation test (AR(2)) in difference for the absence of autocorrelation in the residuals should not be rejected. Second the Sargan and Hansen OIR tests should not be significant because their null hypotheses are the positions that instruments are valid or not correlated with the error terms. In essence, whereas the Sargan OIR test is not robust but not weakened by instruments, the Hansen OIR is robust but weakened by instruments. In order to restrict identification or limit the proliferation of instruments, we have ensured that instruments are lower than the number of cross-sections in most specifications. Third, the DHT for exogeneity of instruments is also employed to assess the validity of results from the Hansen OIR test. Fourth, a Fischer test for the joint validity of estimated coefficients is also provided*"(Asongu & De Moor, 2016, p. 9).

*,**,***: significance levels of 10%, 5% and 1% respectively. DHT: Difference in Hansen Test for Exogeneity of Instruments' Subsets. Dif: Difference. OIR: Over-identifying Restrictions Test. The significance of bold values is twofold. 1) The significance of estimated coefficients and the Fisher statistics. 2) The failure to reject the null hypotheses of: a) no autocorrelation in the AR(1) and AR(2) tests and; b) the validity of the instruments in the Sargan OIR test.

Table 2 presents the QR findings. Consistent differences in globalisation estimated coefficients between OLS and quintiles (in terms of sign, significance and magnitude of significance) justify the relevance of adopted empirical strategy. The following findings are established. *First,* contrary to the GMM findings, globalisation estimates significantly affect inclusive human development. *Second,* with the slight exceptions of top and bottom quintiles of political globalisation estimates, the effects are consistently positive throughout the conditional distribution of inclusive human development. Moreover, for the consistently significant estimates, the estimated magnitudes are higher in the top quintiles compared to the bottom quintiles. It follows that globalisation positively affects inclusive human development and the positive effect is higher in countries with higher initial levels of inclusive development. *Third,* most of the significant control variables have the expected signs.

Table 2: Inclusive development and globalisation

	Dependent variable: Inequality Adjusted Human Development Index (IHDI)											
	Political Globalisation (Polglob)						**Economic Globalisation (Ecoglob)**					
	OLS	Q.10	Q.25	Q.50	Q.75	Q.90	OLS	Q.10	Q.25	Q.50	Q.75	Q.90
Constant	**-2.714***	**0.244*****	**0.212*****	**0.286*****	**0.445*****	**0.492*****	**-3.640*****	**0.193*****	**0.202*****	**0.276*****	**0.326*****	**0.285*****
	(0.065)	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.004)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**
Polglob(IV)	**0.058*****	0.0001	**0.001*****	**0.001*****	0.00007	-0.0001	---	---	---	---	---	---
	(0.009)	(0.532)	**(0.000)**	**(0.000)**	(0.708)	(0.762)						
Ecoglob (IV)	---	---	---	---	---	---	**0.134*****	**0.002*****	**0.002*****	**0.003*****	**0.003*****	**0.004*****
							(0.000)	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**
GDP growth	0.024	0.002	0.002	**0.002***	0.001	0.001	0.033	**0.003*****	**0.002****	0.002	0.0001	0.0004
	(0.540)	(0.179)	(0.178)	**(0.062)**	(0.101)	(0.230)	(0.404)	**(0.002)**	**(0.026)**	(0.242)	(0.889)	(0.731)
Foreign aid	-0.001	-	-	-	-	**-0.004****	-0.001	**-0.002*****	-	-	-	-
		0.001***	**0.002*****	**0.004*****	**0.004*****				**0.003*****	**0.005*****	**0.003*****	**0.002*****
	(0.888)	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.011)**	(0.919)	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**
Public Investment	-	**0.005*****	**0.004*****	**0.005*****	**0.004*****	**0.004*****	**-0.263*****	**0.002*****	**0.005*****	**0.002**	**0.002***	0.001
	0.198***											
	(0.004)	**(0.000)**	**(0.001)**	**(0.000)**	**(0.000)**	**(0.008)**	**(0.002)**	**(0.000)**	**(0.000)**	**(0.384)**	**(0.061)**	(0.171)
Inflation	**-0.0001**	**-0.000**	**-0.000**	**-0.000**	**-0.00001**	**-0.00001**	**-0.0001**	**-0.000*****	-	-	**-0.00001**	**-0.00001**
	*****	*****	*****	*****	*****	*****	*****		**0.000*****	**0.000*****	*****	*****
	(0.000)	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.001)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**
Middle Income	**2.337*****	**0.133*****	**0.104*****	**0.139*****	**0.179*****	**0.224*****	**1.417*****	**0.117*****	**0.098*****	**0.077*****	**0.158*****	**0.156*****
	(0.000)	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.002)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**
Common law	**3.272*****	**0.018****	**0.056*****	**0.044*****	**0.030*****	0.012	**1.716*****	**-0.009***	**0.026*****	**0.014**	**0.015**	**0.018****
	(0.000)	**(0.012)**	**(0.000)**	**(0.000)**	**(0.000)**	(0.350)	**(0.001)**	**(0.082)**	**(0.000)**	**(0.476)**	**(0.111)**	**(0.020)**
R^2/Pseudo R^2	0.110	0.047	0.038	0.027	0.023	0.012	0.128	0.052	0.042	0.027	0.025	0.014
Fisher	**2.37****						**2.39****					
Observations	453	453	453	453	453	453	442	442	442	442	442	442

	Social Globalisation (Socglob)						General Globalisation (Glob)					
	OLS	Q.10	Q.25	Q.50	Q.75	Q.90	OLS	Q.10	Q.25	Q.50	Q.75	Q.90
Constant	**-1.475***	**0.165*** **	**0.221*** **	**0.246*** **	**0.249*** **	**0.266*** **	**-6.491*** **	**0.105*** **	**0.115*** **	**0.154*** **	**0.141*** **	**0.151*** **
	(0.057)	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.002)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.005)**
Socglob(IV)	**0.117*** **	**0.005*** **	**0.006*** **	**0.006*** **	**0.007*** **	**0.009*** **	---	---	---	---	---	---
	(0.002)	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**						
Glob (IV)	---	---	---	---	---	---	**0.198*** **	**0.004*** **	**0.006*** **	**0.006*** **	**0.007*** **	**0.007*** **
							(0.001)	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**
GDP growth	0.041	**0.004***	**0.003** **	**0.003*** **	**0.001***	0.00003	0.028	**0.005*** **	0.003	0.0008	**0.001** **	-0.0007
	(0.309)	**(0.056)**	**(0.043)**	**(0.000)**	**(0.084)**	(0.989)	(0.499)	**(0.001)**	(0.108)	(0.507)	**(0.022)**	(0.772)
Foreign aid	-0.008	-	-	-	-	-0.004	0.018	**-0.003*** **	-	-	-	-0.001
		0.003* **	**0.005*** **	**0.004*** **	**0.004*** **				**0.005*** **	**0.004*** **	**0.001*** **	
	(0.430)	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	(0.110)	(0.182)	**(0.000)**	**(0.000)**	**(0.000)**	**(0.003)**	(0.175)
Public Investment	-	**0.003*** **	**0.002** **	**0.003*** **	**0.006*** **	0.004	**-0.248*** **	**0.003*** **	**0.004*** **	**0.002** **	**0.004*** **	**0.007** **
	0.215* **											
	(0.003)	**(0.000)**	**(0.019)**	**(0.001)**	**(0.000)**	(0.117)	**(0.001)**	**(0.000)**	**(0.006)**	**(0.047)**	**(0.000)**	**(0.017)**
Inflation	**-0.0001**	**-0.000**	-	-	**-0.000**	-	**-0.0002**	**-0.000*** **	-	-	-	-
	**** **	**** **	**0.000*** **	**0.000*** **	**** **	**0.000*** **	**** **		**0.000*** **	**0.000*** **	**0.000*** **	**0.000*** **
	(0.000)	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**
Middle Income	**0.927** **	**0.066*** **	**0.014**	**0.046*** **	**0.045*** **	**0.093*** **	**0.855** **	**0.085*** **	**0.070*** **	**0.069*** **	**0.114*** **	**0.142*** **
	(0.030)	**(0.000)**	**(0.338)**	**(0.000)**	**(0.000)**	**(0.002)**	**(0.055)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**
Common law	**2.301*** **	**0.016***	**0.023** **	0.008	0.003	0.009	**2.195*** **	**0.032*** **	**0.024***	0.013	0.001	0.010
	(0.000)	**(0.097)**	**(0.023)**	(0.306)	(0.688)	(0.621)	**(0.000)**	**(0.000)**	**(0.050)**	(0.196)	(0.887)	(0.536)
R^2/Pseudo R^2	0.110	0.057	0.052	0.037	0.027	0.013	0.136	0.056	0.047	0.034	0.027	0.014
Fisher	**2.34** **						**2.47** **					
Observations	453	453	453	453	453	453	453	453	453	453	453	453

***,**,*: significance levels of 1%, 5% and 10% respectively. OLS: Ordinary Least Squares. R^2 (Pseudo R^2) for OLS (Quantile Regressions). Lower quintiles (e.g., Q 0.1) signify nations where inclusive development is least.

3.2 Further discussion of results and policy implications

The findings are broadly consistent with Firebaugh (2004) who has documented that globalisation is tailored to spread industrialisation in developing countries in order to enhance inclusive human development. For the most part, the results are also contrary to the conclusions from indirect investigations in the literature of globalisation-fuelled debts (Azzimonti et al., 2014; Asongu et al., 2015).

It is important to note that impact of globalisation is persistent. It is an unavoidable process which can only be neglected by endangering the prosperity of nations and peoples (Tchamyou, 2016). Consequently, it is in the interest of our sample of countries to tailor the phenomenon such that the established inclusive development benefits are enhanced and maximised. Such can be achieved by increasing initial levels of inclusive development. In essence, we have observed that globalisation is more beneficial to countries that are more inclusive. Hence, as a main policy implication, in the post-2015 development agenda, countries will benefit more from globalisation by increasing their levels of inclusive development.

The positive relationship between globalisation and inclusive development can be further elucidated from three main perspectives, notably: (i) from interconnections with the literature; (ii) stylized facts on contemporary inclusive development and (iii) the common

denominator between inclusive development and globalisation based on theoretical underpinnings.

First, in the light of the recent two decades of Africa's growth resurgence, exclusive development may be explained by the fact that the responsiveness of poverty to economic growth is a decreasing function of inequality. This is because growth is driven by globalisation. The recent literature on inclusive development in what is now known as the Fosu conjectures has clearly articulated the imperative of income distribution or inclusiveness on the impact of growth on poverty (see Fosu, 2011; Fosu, 2015a). The narrative aligns with the position that inclusive development plays a crucial role in the growth-poverty relationship (Fosu, 2010b; 2015a). More specifically: "*The study finds that the responsiveness of poverty to income is a decreasing function of inequality*" (Fosu, 2010c, p. 818); "*The responsiveness of poverty to income is a decreasing function of inequality and the inequality elasticity of poverty is actually larger than the income elasticity of poverty*" (Fosu, 2010a, p. 1432); and "*In general, high initial levels of inequality limit the effectiveness of growth in reducing poverty while growing inequality increases poverty directly for a given level of growth*" (Fosu, 2011, p. 11). It follows that the recent growth resurgence has not benefited African countries because of low initial levels of inclusive human development or high initial levels of inequality.

Second, growth in developing countries has been substantially driven by resource-wealthy nations which are associated with comparatively lower levels of inclusive human development in terms of health and social ratings. For example, according to Ndikumana and Boyce (2012), the Republic of Congo, Gabon and Equatorial Guinea are among the wealthiest nations in Africa in terms of: (i) per capita incomes of $1,253 (15th), $4,176 (5th) and $8,649 (2nd) respectively and (ii) massive reserves in oil (ranking, 10th (Equatorial Guinea), 8th (Congo) and 7th (Gabon)). Unfortunately, majority of citizens in these countries are living in abject poverty. These citizens lack access to decent sanitation, health care, basic social services, drinkable water and elementary school. Moreover, Equatorial Guinea and Gabon rank third and second to the last with respectively 51 percent and 55 percent in the immunizing rate against measles. Furthermore, a child that is born in Equatorial Guinea is unlikely to reach his/her fifth birthday compared to the average from other African countries. To put the point we are making here into greater perspective, the quality of growth rankings recently published by Mlachila et al. (2014, p. 17) have shown that the inclusive development in these countries has been decreasing. Indeed, a time-dynamic examination of the

performance of these countries in a sample of 93 developing nations from 1990-1994, 1995-1999, 2000-2004 and 2005-2011 reveals a substantial deterioration in inclusive development: Equatorial Guinea (76th, 73rd, 76th & 88th); Congo Republic (59th, 70th, 74th & 84th) and Gabon (58th, 61st, 67th & 69th).

Third, the positive relationship between globalisation and inclusive development with increasing magnitude from low quintiles to top quintiles can also be explained by the fact that both measurements in the interactions have theoretical underpinnings that are based on optimal and efficient distribution of resources. While the inequality adjusted human development index measures the distributions of three achievements (in health, education and income) among the population by factoring-in disparity, the neoliberal argument of globalisation is founded on the need for optimal allocation of resources around the world. It follows from the findings that the quest and claims for optimal resource allocation would benefit sampled countries more if they adopt more inclusive development policies.

4. Conclusion and further discussion of results

A recent World Bank report has revealed that extreme poverty has been decreasing in all regions of the world with the exception of Africa. This study has complemented the existing literature on the responses to the World Bank report by investigating the effect of globalisation on inclusive human development in 51 African countries for the period 1996-2011. Political, economic, social and general globalisation variables are used. The empirical evidence is based on Generalised Method of Moments (GMM) and Instrumental Quantile Regressions (IQR). While estimated coefficients are not significant in GMM results, for IQR, globalisation positively affects inclusive human development and the beneficial effect is higher in countries with high initial levels of inclusive development. Policy implications have been discussed.

In the light of the above, we have shown that globalisation which encompasses the expansion of market can be humanizing force if it is not hijacked by special interest groups and politics. Consequently, if some dimensions like social ownership of the means of production and distribution of wealth associated with globalisation are considered in the post-2015 sustainable development agenda, the current trend of increasing global inequality can be reversed. Hence, globalisation may not be another path to serfdom (see Komlos, 2016) if the phenomenon is centred on Adam Smith's position that societies cannot flourish and be happy

if a substantial part of their citizens are miserable and poor. Smith's position is consistent with a 2017 Oxfam report on global inequality which has concluded that the eight richest people in the world own more wealth than half of the world's population (i.e. 3.6 billion people) (Oxfam, 2017). We have observed from the literature that institutions are instrumental in the nexus between globalisation and inclusive development. Hence, assessing how institutions influence the established linkages should enrich the extant literature.

Appendices

Appendix 1: Definitions of Variables

Variables	Signs	Definitions of variables (Measurement)	Sources
Inclusive human development	IHDI	Inequality Adjusted Human Development Index	UNDP
Political Globalisation	Polglob	"This captures the extent of political globalisation in terms of number of foreign embassies in a country, membership in international orgnisations, participation in UN security".	Dreher et al. (2010)
Economic Globalisation	Ecoglob	"Overall economic globalisation (considers both the flow and the restrictions in a given country to derive this). The higher, the better social globalisation".	Dreher et al. (2010)
Social Globalisation	Socglob	"Overall scores for the countries extent of social globalisation. The higher the better socially globalised the country".	Dreher et al. (2010)
Globalisation	Glob	This is an overall index that contains economic globalisation, social globalisation and political globalisation	Dreher et al. (2010)
GDP growth	GDPg	Gross Domestic Product (GDP) growth (annual %)	World Bank (WDI)
Foreign aid	Aid	Total Development Assistance (% of GDP)	World Bank (WDI)
Public Investment	Pub. Ivt.	Gross Public Investment (% of Grosss)	World Bank (WDI)
Inflation	Inflation	Annual Consumer Price Inflation	World Bank (WDI)

WDI: World Bank Development Indicators. UNDP: United Nations Development Program.

Appendix 2: Summary statistics (1996-2011)

	Mean	SD	Minimum	Maximum	Observations
Inclusive Human Development	1.521	6.926	0.127	0.809	553
Political Globalisation	58.142	18.323	19.958	94.164	816
Economic Globalisation	44.625	13.095	12.301	84.949	688
Social Globalisation	28.519	11.247	5.773	65.033	816
Globalisation	41.376	10.133	17.514	68.523	816
GDP growth	4.863	7.297	-32.832	106.279	792
Foreign aid	10.212	12.245	-0.251	147.054	791
Public Investment	7.491	4.692	0.000	43.011	713
Inflation	54.723	925.774	-9.797	24411.03	717

S.D: Standard Deviation.

Appendix 2: Correlation matrix (uniform sample size: 442)

Polglob	Ecoglob	Socglob	Glob	GDPg	Aid	Pub.Ivt.	Inflation	IHDI	
1.000	0.060	0.268	0.596	0.044	-0.192	0.033	0.020	0.123	IVPolglob
	1.000	0.645	0.773	-0.004	-0.321	0.074	-0.011	0.295	IVEcoglob
		1.000	0.853	-0.045	-0.477	-0.011	0.018	0.274	IVSocglob
			1.000	-0.001	-0.442	0.045	0.011	0.312	IVGlob
				1.000	0.192	0.254	-0.110	-0.027	GDPg
					1.000	0.210	-0.002	-0.173	Aid
						1.000	-0.080	-0.132	Pub. Ivt.
							1.000	-0.011	Inflation
								1.000	IHDI

IV: Instrumented value. Polglob: Political Globalisation. Ecoglob: Economic Globalisation. Socglob: Social Globalisation. Glob: Globalisation. SSE: Secondary School Enrolment. Mobile: Mobile Phone Penetration. GDPg: Gross Domestic Product growth. Popg: Population growth. Aid: Foreign aid. Pub. Ivt: Public Investment. IHDI: Inequality Adjusted Human Development Index.

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